

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 176 - SB 254**

March 5, 2017

**SUMMARY OF BILL:** Increases the property value threshold for determining the extent of any property tax relief payments to disabled veterans and their surviving spouses from \$100,000 of the full market value of the property to \$175,000 of the full market value of the property for any veteran receiving property tax relief in 2014 or any prior tax year and reapplying to receive a reimbursement for tax year 2017 and subsequent years without interruption.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures - \$3,219,500/FY17-18  
\$2,961,900/FY18-19**

**Other Fiscal Impact – In FY19-20 and subsequent years, the estimated increase in state expenditures pursuant to this bill will diminish by approximately eight percent each year into perpetuity until the impact of the property tax relief program is constant with the impact experienced under current law.**

**Assumptions:**

- This act shall take effect upon becoming a law; therefore, it is assumed the first tax year that will be impacted is 2017.
- Given that property tax notices will be sent to taxpayers in late 2017, and paid by February 2018, the first fiscal year impact will be FY17-18.
- Pursuant to the provisions of Tenn. Code Ann. § 67-5-704, there shall be paid to certain disabled veterans or their eligible surviving spouses the amount necessary to pay or reimburse such taxpayer for all or part of the local property taxes paid for a given tax year on a property that the eligible homeowner owned and used as the their residence from the state's General Fund.
- Any change in property tax revenue received by the applicable local government entities is estimated to be not significant.
- Public Chapter 481 of 2015 decreased, from \$175,000 to \$100,000, the property value threshold for property tax relief payments to disabled veterans and surviving spouses.
- Public Chapter 481 was enacted in 2015; therefore, the last year with data available at the \$175,000 threshold is tax year 2014.

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- Under the provisions of this legislation, disabled veteran and surviving spouse property tax relief applicants meeting the requirements outlined in Tenn. Code Ann. § 67-5-704 and receiving property tax relief in 2014 or any previous tax year, and reapplying to receive a reimbursement for tax year 2017 will be eligible to request property tax relief on up to \$175,000 of the full market value of the property beginning in 2017.
- New disabled veteran and surviving spouse property tax relief applicants applying to receive a reimbursement for tax year 2017 will be eligible to request property tax relief on up to \$100,000 of the full market value of the property.
- Based on information provided by the Comptroller of the Treasury (Comptroller), the amount of actual property tax relief for disabled veteran and surviving spouse homeowners at the \$175,000 assessed property value limit was \$11,888,156 in 2014.
- Based on actual 2014 property tax relief data provided by the Comptroller, the calculated amount of property relief at the \$100,000 assessed property value limit would have been \$8,708,743 in 2014.
- Based on the growth rate in property tax relief payments over the last three years to disabled veterans and their surviving spouses, the impact to this population has been projected forward to FY17-18 using an annual growth rate of 15 percent in order to determine the estimated increase in tax relief payments.
- Based on information provided by the Comptroller, projecting the estimated property tax relief from 2014 at each property valuation for this population forward to FY17-18 will result in \$13,244,909 of property tax relief at the \$100,000 limit and \$18,080,399 at the \$175,000 limit.
- Based on information provided by the Comptroller, there were 16,321 actual disabled veteran and surviving spouse property tax relief claims in 2014 and 19,100 claims are projected for FY17-18.
- The average property tax relief amount for each projected claim is \$947 (\$18,080,399 relief /19,100 claims) at the \$175,000 value limit and \$693 (\$13,244,909 relief /19,100 claims) at the \$100,000 value limit.
- This legislation requires taxpayers to be recipients in tax year 2014 or any tax year prior to be eligible to receive relief at the \$175,000 value limit. An attrition rate of eight percent is assumed for disabled veteran and surviving spouse homeowners that will no longer meet the requirements to receive property tax relief at the \$175,000 limit.
- Projecting forward the actual 16,321 claimants from tax year 2014 for disabled veteran and surviving spouse property tax relief claims using the eight percent attrition rate will result in 12,709 claims in FY17-18 (16,321 claims x 92.0% x 92.0% x 92.0%).
- The estimated cost for disabled veteran and surviving spouse property tax relief recipients receiving relief in tax year 2014 or a previous year at the \$175,000 value limit is estimated to be \$12,035,423 (12,709 claims x \$947).
- The estimated cost to new disabled veteran and surviving spouse recipients applying and receiving relief at the \$100,000 value limit is estimated to be \$4,428,963 [(19,100 - 12,709) x \$693].
- The estimated cost to provide property tax relief in FY17-18 under this legislation is \$16,464,386 (\$12,035,423 + \$4,428,963).
- The estimated increase in state expenditures for disabled veteran and surviving spouse homeowner's property tax relief from the General Funds is estimated to be \$3,219,477

(\$16,464,386 - \$13,244,909) in FY17-18; and \$2,961,918 in FY18-19 (\$3,219,477 x 92.0%) with subsequent year increases diminishing by approximately eight percent each year into perpetuity.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/amj